

Headline News:

9/26/13: Increases in Gaming Revenues Bode Well for Indian Country
(indiancountrytoday.com)

9/25/13: Americans Spent \$2.6B on i-Gambling in 2012
(www.cardplayer.com)

9/23/13: Legislators to Consider Expanded Gambling in Florida
(www.tampabay.com)

9/20/13: Tribal Casinos Move Into New Territory: High End Luxury
(www.nwpr.com)

9/18/13: Tribe's Economic Impact on State: \$1.3B
(talequahdailypress.com)

9/12/13: Five Tribes Join Mashantucket Appeal of Critical Tax Ruling
(indiancountrytoday.com)

9/11/13: "Reservation Shopping" Circa 2013
(www.mondaq.com)

Competition—How to (get a) deal with it

by Kristi Jackson

A major theme from the recent G2E and NAFOA conferences is that competition is on the minds of most gaming operators — both Tribal and commercial.

No longer is the mantra, "build it and they will come" but instead, "once it's built, how many will go?" Many panels focused on creating effective marketing programs in the face of competition, how to adjust spending to lower levels of revenue and, of particular importance to TFA, how to convince lenders of stable cash flows when new competition is entering from all sides.

Clearly, being smart and proactive is the preferred course. Burying your head in the sand and doing nothing seldom is an effective strategy! Most marketing con-

sultants preach knowing your customer. Focus group surveys and player database analysis will provide much of the needed information to know who your customers are, what they like, how frequently they visit - and where else (and why) they go to spend their gaming dollars. Getting a jump on any new entrant by embracing your customer and letting them know what they mean to you will go a long way.

Conservatism in government spending is a theme that picks up steam when the topic turns to how to adjust budgets in the wake of falling gaming revenues. It's not for anyone but you to know what is most important to your Tribe, but clearly, it's solid advice to live

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TFA will be attending the following upcoming conferences:



NIGA Mid-Year Conference—*October 29-30*

Arizona Indian Gaming Association Trade Show—*November 6-8*

Please let us know if you will also be in attendance and would like to set up a meeting with TFA.

\$2 Billion+
Financing Raised
\$250 Million+
Saved

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within your means. For example, we have seen several Tribes continue to keep per capita distributions up at pre-competition (or other revenue downturn) levels, spending their precious cash reserves to do so. We understand the political motives for doing this but it's a dangerous pattern which is not sustainable in the long run. The most admirable method we have seen Tribes do is to effectively pre-fund the next year's budget with prior year's earnings. This is difficult to implement; however, the benefit is that the Tribe is never left in a deficit situation.

The effect of this focus on competition is most concerning when we discuss financing. Whether it is a refinancing or finding new financing for a project, lenders have an acute eye trained on competitive dynamics because of the national talk on gaming saturation and cannibalization. As much as we saw lenders delve into Tribal government spending needs in the wake of the Great Recession, we are now seeing a heightened concern regarding how new competition will affect a Tribe's gaming business. In many cases, lenders will not budge from a view that regardless of location, offering or current customer de-

mographics, there will be a cash flow hit. TFA spends a significant amount of time in each financing in understanding the current casino dynamics in order to combat this lender view and to convince lenders of the reasons why a property is not vulnerable. Often, it's an uphill battle.

The specter of increased competition can directly translate into significant delays in closing a financing, increased financing costs (both financing fees and associated legal expenses) and potentially leaving the Tribe with higher-cost capital as its only option. Often, coupled with higher cost, a lender will ask for a tighter debt agreement (one that is more lender-friendly) with rapid amortization, reduced distribution or other penalties. An overly conservative financing structure can further erode a Tribe's access to cash flow, often at a time when it needs it most.

In all, we note that the capital markets are keenly focused on any competitive threat and its potential impact to cash flow. Be mindful as you run your business, plan your government budgeting and prepare for your financing.

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